

AR31

The Orlando Realty
Corporation Limited
Annual Report 1972



The Orlando Realty Corporation Limited

6205 Airport Road, Mississauga
Ontario L4V 1E3

Directors

William Bartolini
Samuel Craig
Eddie Fidani
Orey Fidani

Ross Hanbury
Albert Page
Joseph Paterson
Warren Scott

Officers

Orey Fidani
President
Samuel Craig
Executive Vice-President
Eddie Fidani
Vice-President
Lloyd Sutor
Vice-President — Finance
Warren Scott
*Executive Vice-President —
Commercial*

Joseph Paterson
Vice-President — Construction
Joseph Boccia
*Vice-President —
Equipment and Paving Division*
William Bartolini
Secretary
Anthony Spatola
Treasurer

Transfer Agent and Registrar
Guaranty Trust Company of Canada
Toronto

Auditors

Wm. Eisenberg & Co.
Chartered Accountants

Listed

Toronto Stock Exchange



Financial Highlights

	1972	1971 (Restated)
Total Assets	\$56,160,571	\$42,868,496
Gross Revenue	\$17,826,217	\$14,122,931
Net Rental Income	\$ 1,874,485	\$ 1,319,105
Net Earnings	\$ 888,687	\$ 703,449
Net Earnings Per Share	67.8¢	53.7¢
Cash Flow	\$ 2,160,895	\$1,287,013
Cash Flow Per Share	\$1.65	98¢



Office building complex 6205 Airport Road, Mississauga, Ontario

Review of Operations

Income Properties – *industrial*

At year end the Company's portfolio of income producing industrial properties totalled 2,041,600 square feet with a further 883,400 square feet under construction. When these buildings are completed, our portfolio will have increased by 55 per cent over last year, to a total of 2,925,000 square feet of industrial properties held for investment purposes. Many of the 41 completed and leased buildings are occupied by large national and international corporations, and some of these facilities have already undergone further expansion.

Over sixty per cent of the Company's industrial holdings are located in Airport Industrial Park, a 549-acre development adjacent to the Toronto International Airport. The concept of this industrial park, created in 1966 through a joint venture with North American Life Assurance Company, has resulted in one of Canada's most attractive and respected industrial development projects. Rigid adherence to site planning, architectural and landscaping controls, including set-backs that far exceed municipal requirements, has contributed to the overall aesthetics of the area and has earned a reputation for the park as a prestige industrial location. Approximately 100 acres remain for new construction activities in the park, as well as substantial open space adjacent to many tenant-occupied buildings to accommodate future plant extensions.



Samuel Craig
Executive Vice-President

Other industrial income properties are located primarily in the greater Metropolitan Toronto area.

Development will begin in 1973 on two recently acquired parcels of industrial land. One, a 103-acre site at Finch Avenue and Weston Road, is one of the few remaining undeveloped pieces of land designated for industrial use in the Borough of North York. Its accessibility to all modes of transportation make it an ideal location for companies concerned with the movement of goods in one of Canada's major market areas.

The other substantial parcel of industrial land acquired during 1972 comprises 100 acres and is also strategically located at Highway 401 and Dixie Road in Mississauga, Ontario.

A major factor in the growth of our portfolio of industrial buildings over the years has been the integrated services we are able to offer companies seeking new facilities. Our total service approach provides a depth of expertise in site selection, land assembly, architectural design and engineering (adapted to a company's specific requirements), financing arrangements and complete construction, supervision and project management.

The unified control of these and other disciplines assures maximum design efficiencies and construction economies as well as a complete building that meets every need of the new tenant.

It is anticipated that income from industrial properties will substantially increase as this division continues its activities at an accelerated pace in the future.

Income Properties — *commercial*

Early in 1972 Orlando increased its ownership in Select Properties Limited to 99.6 per cent, and embarked on a program of shopping centre expansion.

Under construction at the present time is the 216,000 square foot Thousand Islands Mall Shopping Centre in Brockville in which the Company holds a 50 per cent interest. This shopping centre, to be completed in the fall of 1973, will serve an expanding consumer market in the Brockville area.

During the year the Company completed a 180,000 square foot addition to the Oakridge Mall Shopping Centre in London, Ontario, which more than doubled the size of the centre to over 265,000 square feet.

In addition to the above locations, the Company owns and manages the Bayview Village Shopping Centre, Toronto; Frontenac Mall, Kingston; Midtown Mall, Oshawa; and Lambton Mall, Sarnia. This latter shopping centre is 50 per cent owned by the Company. All locations have additional land available and studies are currently underway to determine the feasibility of future expansion.

Negotiations were completed during the year to acquire a 22-acre shopping centre site in the north-east area of Metropolitan Toronto and we expect to commence construction on this project in the latter part of 1973.

In today's involved land development process, we find that shopping centre sites must be acquired and planned well in advance in order to achieve the proper land-use designation. Accordingly, your Company is now engaged in the process of obtaining the necessary approvals for several shopping centre sites in various Ontario municipalities.

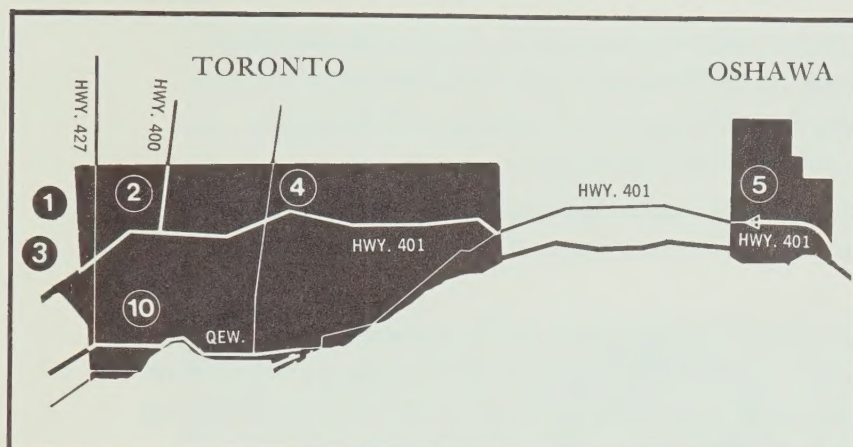
With over 1,700,000 square feet of commercial premises completed or under construction, and with several other shopping centres contemplated in the near future, we believe that our activities in the shopping centre development field will have a significant impact on future earnings.

Your Company's commercial portfolio also contains a number of other income producing buildings, including a 50 per cent interest in the 220-room Cara Inn adjacent to the Toronto International Airport, and 100,000 square feet of leaseable floor space in two office buildings, one of which contains the Company's head office.



Warren Scott
Executive Vice-President – Commercial

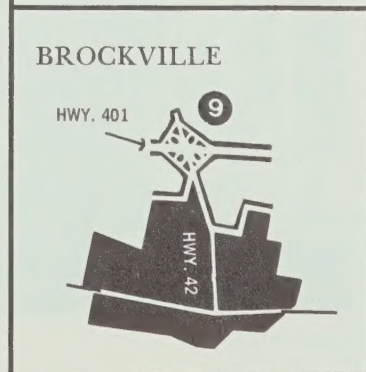
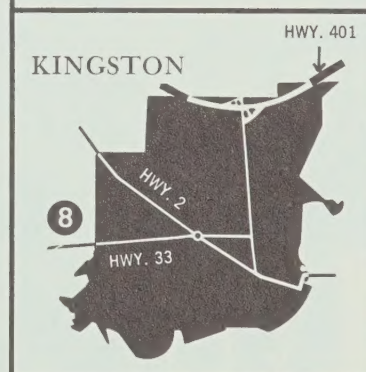
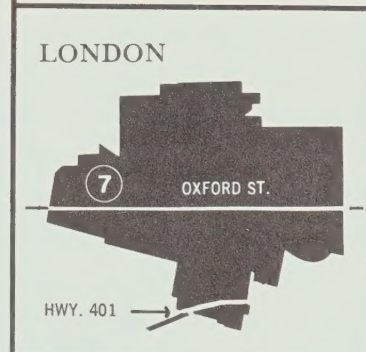
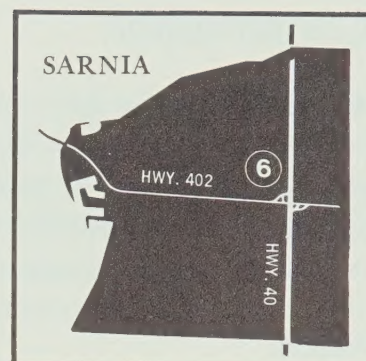
Real Estate Holdings — December 31, 1972



		Buildings (sq. ft.)		Land (Acres) Held For Development
		Completed	Under Const. Dec. 31/72	
Industrial				
①	Toronto — Airport Industrial Park	1,221,700	844,800	100*
②	Toronto — Finch & Weston Rd.			103
③	Toronto — Dixie Rd. & Hwy. 401			100
	— Other	584,100	38,600	60
	Other Areas in Southern Ontario	235,800		
	Total Industrial Holdings	2,041,600	883,400	363
Commercial				
④	Toronto — Bayview Village Shopping Centre	257,500		
	— Other	250,100		22
⑤	Oshawa — Midtown Mall Shopping Centre	156,000		
⑥	Sarnia — Lambton Mall Shopping Centre**	299,100		
⑦	London — Oakridge Mall Shopping Centre	265,000		
	— Other	23,500		
⑧	Kingston — Frontenac Mall Shopping Centre	245,000		
⑨	Brockville — Thousand Islands Mall Shopping Centre**		216,000	
	Total Commercial Holdings	1,496,200	216,000	22
	Total Industrial & Commercial Holdings	3,537,800	1,099,400	385
Residential				
⑩	Toronto	374 Suites		

*Land Developed jointly with North American Life Assurance Company

**50% Owned



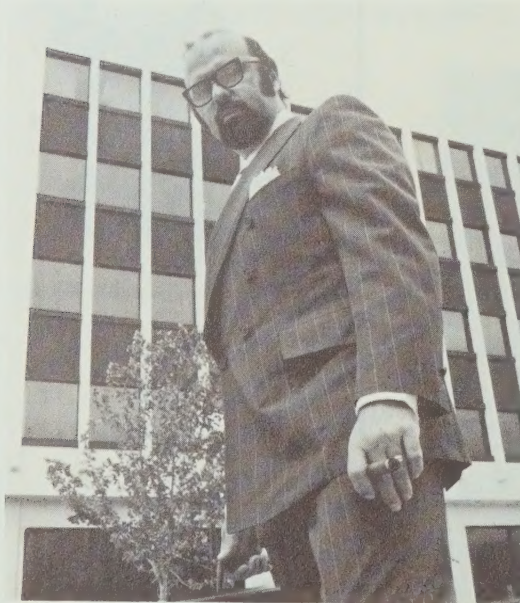
Construction

The Construction Division undertook 1,904,700 square feet of industrial building construction during 1972, of which 1,038,700 square feet will be retained for investment purposes. The remaining 866,000 square feet represent new buildings constructed on a "total package" basis for other companies.

A major construction contract started in 1972 and scheduled for completion in May 1973, is the \$4.6 million extension of the Constellation Hotel near Toronto International Airport.

The value of Orlando's construction starts in 1972 amounted to approximately \$16-million, whereas the comparative figure (private sector) for the Census Metropolitan Toronto Area in the same period totalled approximately \$130-million. We are, therefore, participating in over 12 per cent of all private industrial construction in this highly industrialized region.

Because of our "total package" approach to planning, development and construction, we are able to undertake projects in their initial stages and see them through every detail to final completion. On this basis your Company is in a position to exercise tight controls over the various phases of the project in order to meet the client's requirements and schedule.



Eddie Fidani
Vice-President



Joseph Paterson
Vice-President - Construction

Pave-AI Division

The Pave-AI Division undertakes roadbuilding contracts for municipalities and general contractors as well as meeting the Company's own paving requirements.

This division has the capacity to produce in excess of 250,000 tons of asphalt annually. The major portion of the volume produced is used by the division in its paving contracts. The balance is sold to other paving contractors or is utilized to meet the paving requirements of Orlando projects.



Joseph Boccia
Vice-President – Equipment and Paving Division

The Orlando Realty Corporation Limited

Auditors' Report

To the Shareholders of
The Orlando Realty Corporation Limited.

We have examined the consolidated balance sheet of The Orlando Realty Corporation Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings, and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, of which we approve, explained in note 2 (e) to these consolidated financial statements.

Toronto, Canada
March 16, 1973

Wm. Eisenberg & Co.
Chartered Accountants

Consolidated Statement of Earnings*for the year ended December 31, 1972*

	1972	1971
Revenue		
Rental income	\$ 5,653,333	\$4,512,517
Property operating expenses	1,034,815	953,608
Mortgage interest	2,433,545	2,003,129
Depreciation (note 2(c))	310,488	236,675
	<u>3,778,848</u>	<u>3,193,412</u>
Net rental income	1,874,485	1,319,105
Construction contracts and sales of asphalt (note 2(e))	11,401,029	5,317,111
Property sales	324,658	4,094,580
	<u>11,725,687</u>	<u>9,411,691</u>
Direct costs	10,778,115	8,062,189
Profit on construction contracts and sales	947,572	1,349,502
Profit from joint venture land development (note 16)	170,822	—
Interest and sundry income	276,375	198,723
	<u>3,269,254</u>	<u>2,867,330</u>
Expenses		
Selling, general and administrative	1,197,774	1,052,167
Interest other than mortgage interest on income producing properties	103,444	38,369
Amortization of deferred expenses	50,030	44,203
Depreciation of property, plant and equipment (note 2(c))	130,527	104,646
	<u>1,481,775</u>	<u>1,239,385</u>
Net earnings before income taxes and minority interest	1,787,479	1,627,945
Income taxes — current	24,218	678,374
— deferred (note 13)	873,059	151,561
	<u>897,277</u>	<u>829,935</u>
Net earnings before minority interest	890,202	798,010
Minority interest in earnings of subsidiary company	1,515	94,561
Net earnings	<u>\$ 888,687</u>	<u>\$ 703,449</u>
Per share (note 19)	<u>67.8¢</u>	<u>53.7¢</u>

Consolidated Statement of Retained Earnings*for the year ended December 31, 1972*

	1972	1971
Balance, beginning of the year, as previously reported	\$ 4,248,553	\$3,424,646
Add: Adjustment to give retroactive effect to the change in reporting contract revenue from the completion of contract method to percentage of completion basis (note 2(e))	—	120,458
As restated	4,248,553	3,545,104
Net earnings for the year	888,687	703,449
Balance, end of the year	<u>\$ 5,137,240</u>	<u>\$4,248,553</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Orlando Realty Corporation Limited

Consolidated Balance Sheet *as at December 31, 1972*

	1972	1971
Assets		
Cash	\$ 32,215	\$ 2,105,446
Accounts receivable	3,995,585	1,866,596
Income taxes recoverable	708,319	—
Mortgages receivable (note 3)	1,154,603	1,319,491
Construction contracts in progress (note 2(e))	379,937	4,388
Deposits on land	482,167	139,500
Properties under development — at cost (note 4)	1,306,665	1,365,926
Income producing properties — at cost less accumulated depreciation of \$1,623,494 (1971 — \$1,344,840) (note 2(c))	39,781,337	33,681,023
Land held for development — at cost	6,189,913	843,077
Property, plant and equipment — at cost less accumulated depreciation of \$374,260 (1971 — \$262,299) (notes 2(c), 6)	1,015,986	754,399
Investment in and advances to associated company (note 5)	483,753	488,025
Prepaid expenses and sundry assets	320,722	169,968
Deferred development expenses (note 7)	146,959	36,818
Deferred expenses less amounts amortized	162,410	93,839
	<u>\$56,160,571</u>	<u>\$42,868,496</u>

The accompanying notes are an integral part
of these consolidated financial statements.

	1972	1971
Liabilities		
Bank indebtedness (note 8)	\$ 4,092,240	\$ 733,000
Term bank loan (note 9)	2,250,000	—
Accounts payable and accrued liabilities	5,157,478	1,758,031
Secured loan (note 10)	154,453	159,232
Prepaid rents and deposits	291,463	211,196
Income taxes payable	—	312,391
Mortgage on property under development	—	750,000
Mortgages on income producing properties (note 11)	28,519,266	25,997,612
Mortgages on land held for development (note 12)	2,382,537	153,350
Due to associated companies	—	3,715
Deferred income taxes (note 13)	4,811,262	3,690,468
Minority interest in subsidiary company (note 14)	14,468	1,500,784
	<u>47,673,167</u>	<u>35,269,779</u>
Shareholders' Equity		
Capital stock (note 15)		
<i>Authorized</i>		
3,000,000 shares without par value		
<i>Issued and outstanding</i>		
1,310,700 shares	3,350,164	3,350,164
Retained earnings	5,137,240	4,248,553
	<u>8,487,404</u>	<u>7,598,717</u>
	<u>\$56,160,571</u>	<u>\$42,868,496</u>
Approved on behalf of the Board		
Orey Fidani , <i>Director</i>		
Joseph Paterson , <i>Director</i>		

The Orlando Realty Corporation Limited

Consolidated Statement of Source and Use of Cash

for the year ended December 31, 1972

1972

1971

Source of cash

Operations

Net earnings	888,687	\$ 703,449
Add: Charges not requiring a cash outlay:		
Depreciation	441,015	341,321
Deferred income taxes	873,059	151,561
Amortization of deferred expenses	50,030	44,203
Minority interest in earnings of subsidiary company	1,515	94,561
	<u>2,254,306</u>	<u>1,335,095</u>

Deduct: Equity in undistributed cash flow from operations of associated company

93,411 48,082

Cash flow from operations

2,160,895 1,287,013

per share: 1972 — \$1.65, 1971 — 98¢ (note 19)

Mortgage loans	4,542,594	3,140,000
Disposal of land held for development	309,815	239,225
Sale of income producing properties, net of mortgage liability assumed	—	372,648
Term bank loan	2,250,000	—
Adjustment of deferred income taxes due to recovery of income taxes paid in prior year	277,997	—
	<u>\$ 9,541,301</u>	<u>\$5,038,886</u>

Use of cash

Income producing properties	\$ 6,209,655	\$2,118,634
Land held for development	5,778,020	411,025
Property, plant and equipment (net)	392,219	78,246
Principal repayments on mortgages	541,753	691,492
Principal repayments on secured loan	4,779	2,742
Income producing properties of Select Properties Limited, net of liabilities assumed	—	2,135,625
Reduction of minority interest in Select Properties Limited (note 14)	1,487,831	—
Net change in other assets and liabilities	559,515	2,523,252
	<u>14,973,772</u>	<u>7,961,016</u>
Increase in net bank indebtedness	5,432,471	2,922,130
	<u>\$ 9,541,301</u>	<u>\$5,038,886</u>

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements *December 31, 1972*

1. Principles of Consolidation

(a) The consolidated financial statements include:

(i) The accounts of The Orlando Realty Corporation Limited, its wholly-owned subsidiaries, Canax Holdings Limited, First Ornal Properties Limited, Second Ornal Properties Limited and Chiefton Investments Limited; its 99.6% owned subsidiary, Select Properties Limited and Select's wholly-owned subsidiary, Great Oak Securities Limited.

(ii) The Company's 50% share of the assets, liabilities, revenue and expenses of unincorporated joint ventures.

(iii) The Company's 50% share of the revenue and expenses of a non-controlled corporate joint venture, Lambton Mall Limited.

(b) The investment in Lambton Mall Limited, a non-controlled corporate joint venture, is shown at cost plus the Company's 50% share of its undistributed net earnings from inception to December 31, 1972.

2. Accounting Policies

(a) The Company's accounting policies comply with the recommendations of the Canadian Institute of Chartered Accountants' Research Study of Accounting for Real Estate Development Operations.

(b) Carrying charges directly attributable to land held for development and to income producing properties during construction are capitalized as part of their cost. Carrying charges include interest, property taxes, maintenance costs and salaries of development personnel, net of rental income. In 1972, the Company undertook the development of several major long-term projects and the salaries of development personnel incurred as a result of these projects have been capitalized. The total amount of carrying charges capitalized in 1972 amounted to \$257,780, including salaries of \$59,326.

(c) Depreciation of income producing properties is provided on the sinking fund method whereby building costs are being written off over the estimated useful life in annual amounts increasing at the rate of 5% compounded annually. The estimated useful life is forty years for shopping centres and fifty years for office, industrial and apartment buildings. Depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful life of these assets which varies from five to twenty-five years.

(d) Leasing costs are capitalized and amortized over periods varying from five years to the term of the lease.

(e) In 1972, the Company changed the basis of reporting revenue from contracts of the general

contracting division to the percentage-of-completion basis whereby contract revenue and related costs are recognized in the period in which work is performed and progress billings made. Prior to 1972, revenue from construction contracts was included in income in the year in which the contract was substantially completed. The paving division has continued to report contract revenue on the percentage-of-completion basis. As a result of this change in accounting policy, consolidated net earnings for year ended December 31, 1972 have been increased by \$249,180 (net of income taxes of \$234,664). Had this policy been in effect in 1971, consolidated net earnings would have been reduced by \$120,458 (net of income taxes of \$125,875). The cost of work performed but not billed is shown as construction contracts in progress. The 1971 figures have been restated to reflect this change in accounting policy.

3. Mortgages Receivable

These bear interest at an average annual rate of 8.8% and are repayable as to principal approximately as follows:

1973	\$ 554,321
1974	75,750
1975	12,758
1976	184,181
1977	172,285
subsequent to December 31, 1977	155,308
	<u>\$1,154,603</u>

4. Properties Under Development

These consist of nine income producing properties under construction, including land and construction costs, all of which are expected to be completed in 1973. The costs to complete these properties are estimated to be \$8,860,000. To date, long-term mortgage financing totalling \$7,475,000 has been arranged on five of these properties.

5. Investment In and Advances To Associated Company

This represents the Company's 50% interest in Lambton Mall Limited, which owns and operates a regional shopping centre in Sarnia, Ontario and consists of:

Shares — at cost	\$ 500
8% debentures due 1989	3,000
Non-current receivable due 1989, but subject to earlier repayment on the basis of cash flow and bearing interest at 8% per annum	337,000
Equity in undistributed earnings to date (1972 — \$30,262, 1971 — \$30,910)	83,354
Current receivable	59,899
	<u>\$483,753</u>

6. Property, Plant and Equipment

This includes automotive, office and contractors' moveable equipment and the cost of land, building and equipment for the asphalt batching plant.

7. Deferred Development Expenses

This includes architectural and design fees and other expenses in connection with specific projects under consideration. These expenses will be added to the cost of the projects when construction commences.

8. Bank Indebtedness

The bank indebtedness is payable on demand and is secured by a general assignment of book debts and collateral mortgages totalling \$3,200,000 on two income producing properties.

9. Term Bank Loan

This loan bears interest at $2\frac{1}{4}\%$ over the prevailing prime bank lending rate and is secured by a collateral mortgage on an income producing property. The loan is repayable in five annual payments of \$450,000 commencing in 1973.

10. Secured Loan

This is a $9\frac{1}{4}\%$ loan maturing in 1973 and is secured by a mortgage of a first mortgage held by the Company.

11. Mortgages on Income Producing Properties

These mortgages bear interest at an average annual rate of 8.8% and are repayable as to principal approximately as follows:

1973	\$ 618,593
1974	2,860,466
1975	633,925
1976	681,676
1977	1,777,036
subsequent to December 31, 1977	21,947,570
	<u>\$28,519,266</u>

12. Mortgages on Land Held For Development

These mortgages bear interest at an average annual rate of 8.2% and are repayable as to principal approximately as follows:

1973	\$1,008,000
1974	1,020,500
1975	188,937
1976	59,000
1977	—
subsequent to December 31, 1977	106,100
	<u>\$2,382,537</u>

13. Deferred Income Taxes

For tax purposes, the Company has:

- (a) claimed capital cost allowances which have exceeded recorded depreciation
- (b) written off capitalized carrying charges and deferred expenses in the year incurred
- (c) deferred to future years certain income earned, as permitted under the Income Tax Act
- (d) reported revenue from general contracts on

the completed contract basis

The income taxes otherwise currently payable on the excess of earnings reported for statement purposes over taxable income have been recorded as deferred income taxes.

14. Minority Interest in Subsidiary Company

In 1972, the Company acquired an additional 562,904 shares of Select Properties Limited for a total cash consideration of \$1,839,418, thereby increasing its interest in Select to 99.6%.

The cost of these shares has been attributed to:

(a) reduction of minority interest	\$1,487,831
(b) cost of income producing properties	351,587
	<u>\$1,839,418</u>

15. Capital Stock

The Company has reserved 22,350 shares of its authorized capital stock for employees' stock options which may be exercised on or before April 30, 1974 at a price of \$10 per share.

16. Profit From Joint Venture Land Development

The Company participates with the owner of a land development project in profits earned on land sales. Under the terms of the joint venture agreement, the profits are payable to the Company only as they are received and are included in income on this basis.

17. Lease Obligations

Annual minimum rent payable under a land lease expiring in 1999 amounts to \$8,653. The Company has an option to purchase this land at the lessor's original cost. The Company's 50% share of the annual minimum rental under a ground lease expiring in 2047 on which a shopping centre is being developed amounts to \$25,000.

18. Contingent Liabilities

There are letters of credit outstanding amounting to \$403,888 in favour of municipalities in connection with development agreements.

19. Per Share Earnings and Cash Flow From Operations

These have been calculated on 1,310,700 shares outstanding as at December 31, 1971 and 1972. Fully diluted per share earnings and cash flow from operations which would result from the exercise of employees' stock options would not differ materially from the actual figures reported.

20. Statutory Information

The aggregate direct remuneration of directors and senior officers paid by the Company and its subsidiaries in 1972 amounted to \$413,210 (1971 — \$391,630). Total interest charges incurred, including amounts capitalized, amounted to \$2,700,582 (1971 — \$2,113,211).

